

International Business
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Lecture – 54
Marketing Orientations, Market Research

Welcome friends to the class of International Business. So, in the last class, we will continue from where we had left, and we had discussing about what international strategies do companies adopt in order to be successful right. So, we discussed about several companies in particularly a case about a Netflix right. So, how Netflix started as a small rental company, DVD rental company and it became one of the largest in the streaming business as of today right.

So, this company has expanded from US from where it started exactly to around more than a 100 countries, and it has a revenue of around 182, sorry it has a subscription of 1826.6 million subscribers, so which is a huge effort it requires right. So, how did this company do, how did it balance its product, how did it balance its price, what did it do, so how did it try to take it is you know different stakeholders together, so all this we discussed in the last lecture.

So, today we will continue from there, and we will discuss about the marketing orientations. So, when you are talking about international business, so we have looked at several key points in international business. And international marketing or global marketing is one of them.

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Marketing orientations

- **Production** ✓ *→ Commodity*
 - Sales of undifferentiated products on basis of price, sometimes differentiated like certain types of mangoes, bananas, oils etc., innovative financing and ensuring timely, high quality supplies
 - Exporting excess inventory to other markets
 - Selling to niche markets, Inca Kola in Peru, products with low or no alteration
- **Sales**
 - Product is constant only place changes, depends on type of product, Whirlpool's high capacity front loading washing machine, Mar's cat food brand whiskas.

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So, when you talk about the marketing orientations, what orientations should firm have or do they need to keep in mind? So, there are several kind of orientations which can happen for example, the first one we start which is the call the production orientation. Now, what is a production orientation? As the name suggests it says you know the more you produce it is better. For example, sales of undifferentiated products or which you can understand as commodity you know commodity products will be is done on basis of price generally right, on basis of price.

Sometimes, but they are sometimes differentiated. For example, it is very difficult to create a brand in a commodity right. So, for like rice and all, but still you can see some brands of rice which are doing so well right from Pakistan and India. Certain types of mangoes for example, bananas and oils etcetera. So, through with the help of innovative financing and ensuring timely and high quality supplies, production orientation has also been a very successful method of going international.

Exporting the excess inventory to other markets. Many a times companies what they have done is, they have started with a home orientation right. And after having the home orientation what they have done, they have tried to recover the fixed cost from the home sales that is the sales that they do in the home market. But and the extra that they get whatever extra they produce which is beyond you know which is their profit you can say, they tried to sell it to the other markets where they would have a demand right.

So, another point that comes in the production orientation is trying to sell the product in niche markets. So, niche markets as you can understand niche means a small pocket, niche is a small pocket which has a ability to pay a premium to the buyer for the product right, that means, the customer is ready to pay a premium to buy the product just because it likes it or it wants it right.

So, selling to niche markets. There is a product called Inca kola right; so this product which is in Peru right. It is a product which has been a very successful product. Sometimes the products are also sold in the international market when the production is happening a high production is happening massive production is happening with sometimes the companies try to sell it with low alteration or even you know zero alteration.

For example, in many of the electrical appliances, the companies would sell the products in the you know different markets, and then the distributors and the others the agents there would try to localize it to the requirements for the customers in the home condition. So, production orientation is one of the important marketing orientations right.

Similarly, there is one more orientation which is called the sales orientation. Now, when you go international production orientation we have understood, but sales orientation basically means something where the product is constant right, that means, the company is keeping the product same and trying to change the market. So, it is trying to sell a product, the existing product in a new market right.

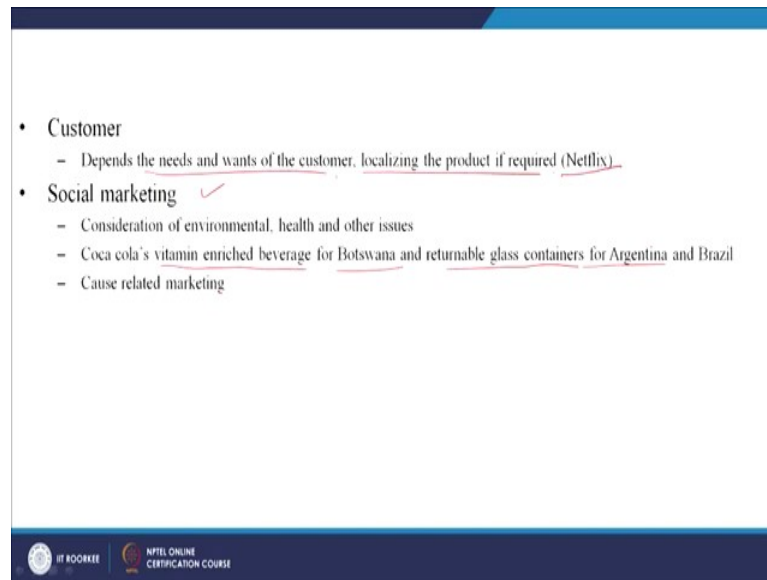
So, and it does not want to make much of a change, because it believes that the product will sell automatically. Now, but in this condition what happens what factors affect is that the it depends on the type of product. Now, what kind of product the companies is sell are selling, so that has an effect whether sales orientation will be successful or not.

Now, for example, Whirlpool, Whirlpool's high capacity front loading washing machine right, so Whirlpool felt there is a demand in the you know other markets and they tried to sell this and they did it well also. They were successful in selling their high capacity front loading washing machine in several new markets where this was not available.

Similarly, Mar's – a very popular the company started for the first time making a brand a cat food brand called Whiskas right. And once they did it in the US market, their ad used

to be like if cats could buy, they would surely buy Whiskas that was the kind of ad they were making. And out of 10, 9 people supported this Whiskas brand, and that was then it became a very successful brand. And it was then you know sold in other markets too right.

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Similarly, then you have a customer orientation. So, sometimes sale orientation does not work, but when you talk about the customer orientation what happens is it depends on the understanding the needs and wants of the customer and localizing the product if required. So, as I give the example in the last class about Netflix. So, how Netflix localized its product as per the requirement of the you know local people, the home market right.

Similarly, when you know you must have heard about the very famous case of KFC, McDonalds. So, it was a no beef kind of a product they started developing, so that was localized to their market conditions right. Many, this is not only a I am not talking about only you know FMCG or fast you know the regular usage products, but I am also you know talking about industrial goods also. In those condition also marketers have tried to localize the product to the needs of the local conditions and then they have tried to sell it right.

The last orientation is the social marketing orientation. So, in this what we are talking about this is a concern for the companies will show a concern for the environment, for

the health and other issues right. So, for example, many companies they have put a cap or they have put a you know kind of a limit you know rule a guideline that child labor will not be used right. So, and girl child education would be is one of their prime conditions right.

So, for example, you see coca cola started a vitamin enriched beverage for Botswana. Botswana, I think all of you must be knowing in African nation. So, here lot of malnutrition happens. So, they started a vitamin enriched beverage right. And they started returning returnable glass containers for Argentina, Brazil and many other markets right.

As I said also you know companies today are involved largely in corporate social responsibility through corporate social responsibility in several you know activities which are highly you know by showing a concern for the society. As I said about Procter and Gambles, educate the girl child campaign. And ah you can see large number of companies have got into such.

For example, Hindustan Unilever recently made a slogan during the corona virus that you could use any you know soap for that, and it might not be a Hindustan Unilever's only, but please use it, so that you can you know it can save you from the corona virus. So, these kind of campaigns you know attitudes are the orientations have are very important for you know global players to enter into the different markets and be successful, because the global branding is very important ok.

Now, once you have discussed all these then it becomes very important ok. We have understood global products you know the product should be important, the price everything. But what is the role of research?

(Refer Slide Time: 09:31)



MARKET RESEARCH FOR GLOBAL MARKETS

- Gathering information to make sound decisions regarding foreign markets
- A soup manufacturer wants to enter into the Indian market what kind of information does it need
- In India people use eat with their fingers or else just drink it.
- Which kind of flavour would be in demand

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How do you do the research for the global markets? Doing research for the home market is very simple right, at least why it is simple suppose we are there is an Indian company, and it wants to start a new service you know or a new product in the market, sell a new product. It knows what the Indian customer is like right, is whether is a price sensitive customer, whether it is a let say a customer who is what is it is lifestyle the behavior, so and that is very easy to understand also relatively I am saying when you compare with a customer in the new market.

Suppose, the same Indian company would tomorrow think of getting into let say Spain, now we do not know exactly how people in Spain think, how do they behave, what are their normal traditions. So, it becomes a real challenge because the cross cultural effects are very, very high when you talk about international business.

So, a country who is operating in 100 countries or 50 countries or 10 countries or even whatever would be the number more than you know 2 countries or 1 country, there is a problem there is a there is a complexity that arises how do you understand the consumer.

And if you do not understand the consumer, you may do you may goof off the entire thing and you may land up into trouble also sometimes. So, gathering information to make sound decisions regarding the foreign markets is a very important part, and it is an essential part of the international business, international marketing research which we can say like that.

A soup manufacturer, for example, you see this, a soup manufacturer wants to enter into the Indian market. Now, what kind of information does it need, what kind of information does it need? The first information that it needs is that in India people use eat with their fingers or else they just drink it right. So, and if you if you think of a soup neither you can use your a finger to use you know eat this drink the you know consume the soup nor you if you just drink it, then there is no fun. So, largely Indians have a habit right.

So, there are there have been several interesting case studies on habits of Indian consumers like for example, the Maggie's case famous the you know this corn flakes Kellogg's corn flakes case, Indians the typical habits have been very difficult to sideline, and that is how companies have not been able to be successful for a very, very long time.

What kind of flavor would be in demand? Now, suppose somebody comes with non-vegetarian soup. So, there might be an apprehension and many Indians are vegetarians. So, they would not might not prefer, and some else might prefer also. So, the point is marketing research becomes very, very important in you know during international business when you want to enter into the new markets or to cater to the new markets right.

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What are the areas in global marketing that are important research which are important right and research is to be done? First is to understand the culture and tradition its related to the culture and tradition. So, what is the culture, what is the tradition, what are the

habits of people, how do they live, how do they eat, how do they sleep, how do they you know live their life, what do they do, how do they celebrate, now everything is so important, because if you do not understand you might you might hurt their sentiments that is very dangerous.

Second is segmentation related. How do I segment the market, on what basis do I segment the market. When I am a seller and I have a product to sell in the market, how do I segment the market? It could be the up to the product related what kind of products will the market demand, how which kind of products are more in demand, what should be the characteristics of these products, what should be the size, what should be the package, you know how should be the labeling done everything.

How do you estimate the demand? So, another important area. How do we estimate the demand? Because if you do not estimate the demand, it becomes a cumbersome task it might be a very very difficult task. And you the company might either get into a under stock condition or a overstock condition, and both are dangerous right.

So, for example, let us imagine what happens to companies when there is a sudden change of policy of the government right or suddenly or you find a new habit has developed in among the young mass. So, the new habit which has developed now we will lead to several can have several impacts.

So, then it could be price related, it could be promotion related, it could be distribution related. So, the area of research which is very important when you talk about international business is that you need to look into all these different factors, and there could be many more right. For example, you see when you talk about the segmentation research, although we have discussed I am just briefing it.

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Segmentation research

- Determine the basis of segmentation ✓ *de, psy, beh, geo, volun*
- Establish market potential and responsiveness for various segments *Regul, Incon*
- Select target markets ✓
- Create lifestyle profiles: demography, media, and product image characteristics

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So, you have to determine the basis of segmentation, will it be demographic, will it be psychographic, will it be behavioral, will it be geographic, will it be on basis of volume, will it basis of regularity of use. What is it? How do you want to segment the income level of the people? So, which is going in demographics only. So, there are several basis of segmentation.

Establish the market potential responsiveness for the various segments. So, the companies have to understand the market potential and the responsiveness both right. Whether first of all are they responsive, are they responding? Yes, if they are responding, is there a potential? Suppose, if they are responding, but the potential is very small. It is so small that you would not be able to make a good amount of profit. So, then why it take the headache of getting into a completely new market and then not being able to make a profit.

Select the target markets. Create the lifestyle profiles, demography on basis of the media, the product image characteristics right. So, these are very important when you talk about the segmentation research.

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Distribution research

- Types of distribution → Avon, China,
- Attitudes of channel members
- Intensity of wholesale & resale coverage
- Channel margins ✓
- Location of retail and wholesale outlets

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Similarly, when you talk about the distribution, so how do you what is the; what is the research involved in distribution? Now, I have given this example many times many companies when they come to India, they are puzzled by the extensive the strong you know the complexity in the distribution right. Indian distribution system is not as simple as it looks from outside, because the generally the distributors are people generally I am saying are people who are less educated, and they have been into business as a family profession.

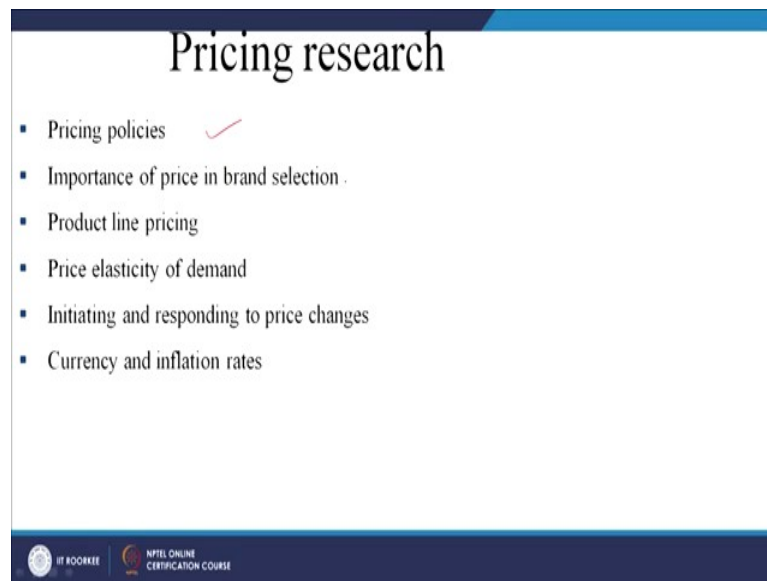
Now, how do they think, what do they want, how do you know how do you gain their confidence is a very important challenge right. So, what are the types of distributors is it a selective distribution is good for a country, or it is an extensive distribution, what should the company do right?

So, even when this is an interesting case when you come to distribution when Avon, Avon went to I think China, they found it was very difficult to sell their products right. To in order to increase their footfall, they increased their footfall by just opening a large number of shops right, their own shops right in China. So, similarly what is the attitude of the channel members, how do the channel member, how trustworthy, what will how loyal are they, and how you know conscious they are to price and other things.

The intensity of the wholesale and the resale coverage right; what are the channel margins you have to, how much channel margins you need to provide, how sensitive are

they. The location of the retail and the wholesale outlets, where they are located, how they are located, all these factors are you know the company needs to do a proper research. And this is for I am saying only a product which is tangible. What about a service, how do you know create a distribution channel you know for a service industry, it is more tougher right.

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Similarly, when it comes to pricing research, the what are the pricing policies, what kind of pricing is the should the company follow, should it just go for a cost based pricing, should it go for a you know mark up pricing, should it go for a you know kind of a you know first go slow a penetration strategy, should it go for a skimming strategy, what should it do right? So, the company needs to be very clever and very clear on that,

Importance of price and brand selection, how what is the relationship between price and brand selection. So, there was a case when in one of the countries made did a research the design ornaments. So, when this company ensured the consumers different kind of ornaments designs and all. What they did was they kept a pupilometer which would look at the persons eye and gauge the you know the expansion and contraction of the pupil right.

So, by that they could understand whether the person was interested in the product or not interested. Now, by doing this what they did was, they found out that many of the people the women especially who were buying the ornaments, they were showing interest for a

particular you know design, but then what they did was after looking at the price of the you know design, they would refuse to buy right. They would say they would they would show interest in something else, but the point is whatever they might say the body language could never would never cheat you right.

So, the when they measured the dilation of the pupil and they could find that people are mostly interested in such kind of designs, but they are not able to afford, so they redesigned the product to make it more you know friendly price friendly. So, this is very important. The companies need to understand how to develop the price, how kind of what kind of product line pricing should they adopt.

Now, what is the product line? A company has one several products in the same line, that means, in detergents let say Unilever has got different brands. So, how across the product line, what kind of strategy can you adopt, what is what kind of for one let say high end customer you can have one price, for a low end customers you can have another price, for the middle income segment you can have another product and another price. So, what is the right price, should it be different, should it not be different?

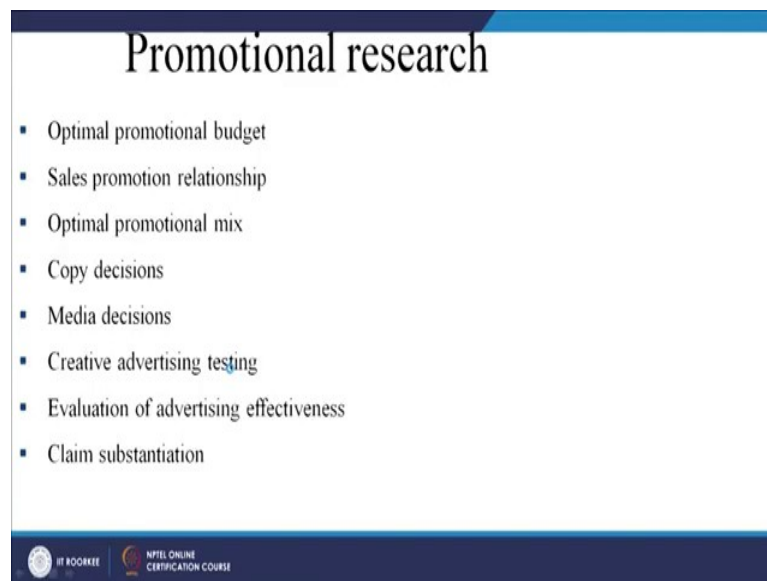
For example, when you talk about price one thing that is that became very disaster for one company was this price sensitivity issue which came with Nano right, Tata Nano. When Tata Nano, in fact, the whole idea of Tata Nano was to cater to the poor and the economical people right.

But when they said the poor man's car or they said you know the car for everyone the car for the you know the last person, when they kind of gave this kind of an impression, people most of them who want who are about to buy also did not buy, because they felt if we buy it, then we would have a problem that anybody who look at us our car would feel we are from a low background or a you know we are poor people, so that image created a problem. So, what kind of a pricing mechanism should you have, it is a very important it depends on how sensitive how much what is the price elasticity level right.

Initiating and responding to price changes. Should you change the price? For example, do should car companies change the price if there is a you know sales low pressure on lows or there is a low sales, what should they do? How should they or should they give more benefits, what should they do? And how do you manage with the currency and the inflation rates right? So, these kinds of researchers have to be done.

I have I think explain one case of Harley Davidson and which Harley Davidson was very intelligently handled the currency exchange problem and the volatility in the market. And they came out successfully by creating different plants in different countries instead of selling the you know product into different countries by making it only one place and selling it to other countries. They tried to make their locations production locations in several places. So, they could get advantage of economical advantages right.

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Similarly, promotional research also is very important. Companies have you know they think of doing they have to understand what is the optimal promotional budget, what is the sales promotion relationship right, optimal promotional mix, what is the best mix. So, how do you promote, should you do it television, should you do it on you know like sponsorship of a show, should you go it on like print, how do you do internet, or how do you do it.

So, then there are copy decisions, media decisions, what kind of media you have to choose, creative advertising and testing, evaluation of advertising effectiveness right, and claim substantiation. So, there are several points which comes into when you think about promotional research.

Today companies are working so much on promotional. So, promotion and price are so closely related. When you talk about offering a coupon it is a promotion also and it is also affecting the price. So, they are all affecting each other right. So, price and

promotion are very closely related and sometimes they get into each other's territory. So, how do you do this? What kind of promotional researchers are required in order for companies to do better right, so that is a very important.

Especially in a country like India where you say everyday when you say things are free, you see there will be a or there is a you know sales today, the markets would be you know flooded with people right customers. So, the point is how do you tackle such kind of issues? So, how do you promote right? When you talk about promote, there is a very serious effect which we can discuss is a the bullwhip effect we say in supply chain.

So, how do promotional effects or promotional incentives or promotional you know measures lead to a bullwhip effect, and how sometimes that could be very dangerous for companies right. Even companies like Procter and Gamble, Kimberly Clark, they had to face a severe bullwhip effect due to a promotional strategy, a poor promotional strategy right.

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Product research

- Concept development and testing studies
- Determine optimal product design
- Package tests
- Product modification
- Brand positioning and repositioning
- Test marketing

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Similarly, product research when you talk about, what is the product how do you develop the product, how do you test the product? So, concept development and testing determine the optimal product design, what is the best product design. So, product design also varies according to the culture right. In some culture the product they make the product looking more you know they take into account the gender also right, sometimes it they make it look more feminine, sometimes they look make it look more masculine, so

depends right. Package test, product modification, then brand positioning and final test marketing.

So, in order to make a product successful, all these points are very important. And the marketer the when it wants to get into a new market because see in the home market, there is no issue, but when you are getting into a new market one has to be extremely careful that it has to be tested properly before they launching the product. Because once you launch the product, there is no point in coming back, because then already it has got into commercialization.

And then if somebody does not do well and it fails, then it is a huge loss for the companies right. So, all these researches have to be done very properly you know so that the company does not make you know does not fall prey to the ignorance that they have of a new market or a new culture altogether. So, this is all we have for today. And I will continue from here in the next lecture.

Thank you so much.